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ABSTRACT

The primary aim of human-resource-development systems in companies is to improve organizational performance through satisfying the development needs of individual employees. This paper presents findings of a study that looked at how human-resource-development systems worked in practice, in particular, how performance management, selection, appraisal, reward, and development were handled by companies and educational institutions. Companies in Slovenia, Holland, and Belgium were compared with universities and high schools in Slovenia and unidentified foreign countries. Data were collected through interviews with the human-resource manager in each firm, document analysis, and interviews with professors at universities foreign to Slovenia. In each of the organizations, human-resource policies were implemented in a way to support the strategic plans of the firm within the constraints established by the firm's environment. Staffing practices should be linked to long-term goals and objectives rather than to short-term needs. A mismatch between career-development practices and strategy can lead to unproductive workers. The excellent companies in the sample conducted their staffing, training, and development functions in ways that supported and contributed to each organization's major business strategy. Whether or not innovation is a key driving force of the firm should dictate whether the firm focuses on the specific task that an individual carries out or on the broader context within which the tasks are done. (Contains 21 references.) (LMI)

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The Human Resource Cycle as basis of Human Resource Development System

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The prime aim of human resource development system in companies is to improve individual and therefore organizational performance - now and in the future. There are numerous studies and articles that describe what firms should do to accomplish this tasks, but there are few empirical studies that describe how human resource development systems works in practice. The main intention of our study was to find out how the link between theory and practice on the field of the human resource development works in different countries and companies. This paper describes that study and looks at how the areas of performance management, selection, appraisal, reward, and development are handle by analyzed companies. Based on both the accessible theory and the actual practices as perceived by human resource managers the paper presents some thesis about how certain human resource development practices should be implemented in a competitive market.

1. Introduction

The process of human resource development starts from the strategic plans of the enterprise which define the resources required to achieve strategic goals. These strategies are translated by human resource planning into more specific definitions of how many and what sort of employees will be needed in the future. The business plan defines what levels of performance are required to achieve objectives. Human resource development starts, therefore, with performance management (Armstrong, 1991).

The basic objective human resource development is satisfying actual and future employee development needs. Optimal adaptation of qualification and education structure of the employed or of the professional knowledge, ability and skill, organizational ability and managing skill to the requirements of work are the main tasks of human resource development. The results of human resource development activities within the company can be obtained through adaptation of the employed to work (less absenteeism and fluctuation, more satisfaction with work, greater flexibility of the employed, less accidents at work, more numerous propositions of innovation), increased productivity, improved quality, reduction of operation and production costs and accelerated development. In other words, the basic objective of human resource development is an increase of company's efficiency and business successfulness.

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Performance management in this context means the answer to the question how to get better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, objectives and standards. Performance management therefore consists of a systematic approach to the management of people, using performance, goals, measurement, feedback and recognition as a means of motivating them to realize their maximum potential.

Performance management include all methods to increase commitment and individual and corporate effectiveness. Important elements of the performance management system are processes of employee selection, appraisal, rewarding and development. This elements are the main elements of human resource cycle. But they are also the basis elements of an integrated approach which consists of series of processes, attitudes and behaviors which together produce a coherent human resource development system (see, for example, Devanna, Fombrun, & Tichy, 1984; Evans, 1986; Stumpf, 1988; Singer, 1990; Armstrong, 1991, Bernardin & Russell, 1993).

2. Methodological approach

The basic methodological approach was to focus on a limited number different developed domestic companies (Slovenian) and on a few excellent foreign companies (Holland, Belgium), to complete analysis of formal human resource policies as well as informal practices, as viewed by middle or top human resource managers. The second research sample were the theoretical human resource experts from different universities and high schools. The study was undertaken in the frame of the Tempus JEP-4967 project - The HRM in Slovenia. The participant companies and universities were selected according to the following criteria:

- from the pool of domestic companies only companies from which the project team members comes were considered;
- from the pool of foreign companies only companies with a reputation for being excellent in terms of human resource management were considered;
- from domestic universities only our school was participated as a project team partner;
- from foreign universities some schools were considered under condition that they have a post-graduate HRM program.

The described methodological approach was chosen to focus on depth rather than breadth. Because the description was the major goal of our study we took those approach as appropriate. Some experts points out that it is unrealistic to try to accomplish both detailed, in-depth analyses of companies and look at large sample of companies at the same time (see, for example, Mintzberg, 1979; Ulrich, 1987). For above described reasons our sample size of companies and schools was small.

The method used in our study included four distinct parts. First, books and articles concerning human resource management was studied in frame of intensive HRM course introducing through foreign professors. Second, a ten interviews of least an hour in length were carried out with each human resource manager in considered firms. This interviews was made during intensive HRM seminar with seminar participants. Third, approximately a dozen interviews and presentations was made during our visit of some excellent foreign firms in length between three and six hours.

Documents concerning each firm were reviewed including formal planning and human resource policy documents and instruments. Fourth, experts and professors from different foreign universities

and schools was interviewed under condition that they participate in performance of the postgraduate HRM programs. We discussed about theoretical and practical problems of the human resource management. The notes resulting from all mentioned interviews were transcribed into categories and used as raw data. The obtained qualitative results are described in the following sections.

3. Performance management as central element of human resource cycle

The performance management is based on the synthesis of different theoretical starting-points. Specially important starting-point represented so-called circle concept for talent diagnosis and development potentials of coworkers diagnosis by the author M. Hilb, (M. Hilb, 1984). Mutual connection of the factors that effected the performance management will be briefly described in the continuation.

(a) Without detailed discussion about individual measures and criteria of business successfulness, we can state that business successfulness is conditioned by market, technology, organization, society and personnel. Optimum adaptation of all these factors to the present requirements and strategically observed also to the future requirements is a condition for optimum business successfulness.

(b) Company successfulness depends on the efficiency of individual workers. The working results are the main measure of worker's efficiency. Therefore an important element of the performance management, because of many reasons, represents continuous monitoring and evaluating of workers working successfulness:

- If working successfulness is properly and fairly rewarded (material and non-material aspects) we can achieve a properly satisfaction of workers as basic condition for working motivation.
- By evaluating of working successfulness some workers are discovered whose actual working results stay behind the expected results. If we find out, that the reason for this is insufficient qualification (knowledge, skill), adequate educational precautions with which we try to eliminate these insufficiencies can be planned and realized in the frame of human resource development.
- If we find out, that the reason for unsuccessfulness of individual workers is improper relation to the work (values, aspects), adequate educational precautions and/or activities connected with the development of personality properties can be planned and realized. In exceptional cases also transfer of a worker to another more suitable working place should be foreseen.
- If we find out that unsuitable working situation is the reason for unsuccessfulness of individual workers we can effect on the improvement of critical factors with the organizational development.

(c) Productivity and efficiency of an individual - at the actual working situation (technology, work organization, labor conditions and other external factors) - depend preferentially on his (8) motivation for work and qualification (knowledge, skill). We can therefore say, that a worker will be at his tasks successful if he can (qualification) and want (motivation) to perform them.

Beside motivation and qualification can have on successfulness of an individual worker significantly an effect also his personality characteristics and certain psychophysical abilities respectively depending on kind of job or working tasks. Such personal characteristics, which in some cases more and in the other cases less significantly effect on working successfulness of an individual, are mostly: physiological characteristics, temperament, motivation tendencies and needs (motivation

structure), interests, creativeness, intelligence, standpoints and values (C. P. Alderfer, 1972; J. P. Guilford, 1964).

Private life and professional situation can with the same importance effect on working results of an individual worker. On the whole working situation in which an individual is doing his job, different factors like: contents and difficulty of job, mutual relations, salary, working environment, respect of personality, safe future, company's reputation and styles of managing can effect (L. Nadler, Z. Nadler, 1989). Regarding to organizational development a company can with appropriate precautions effect on the quality of individual factors and assume their realization respectively.

Also worker's satisfaction and dissatisfaction with the job, he is doing, can effect his efficiency. It is usually spoken about satisfaction at working place when the salary is good, when there is a possibility to promote, when there is good relationship between the workers and superiors, when there is a possibility of participating at working place, when we can effect on methods and system of our work etc. Greater the number of quoted factors, which have instead of positive sign the negative one, the greater is dissatisfaction of an individual at working place (L. Nadler, Z. Nadler, 1989).

According to all said, it can be concluded that the degree of working motivation in a great extent depends on working satisfaction degree of the employees. Regarding this, our regulation circle is closed (as it was stressed in the beginning: individual's efficiency is a product of his motivation and qualification for the job).

The process of performance management starts with a performance agreement which sets out objectives and development needs. During the certain period, usually a year, performances are continually monitored and assessed. High performance is reinforced with rewards (performance-related pay), praise, recognition and the opportunity for promotion. Low performance is dealt with by coaching and counseling, which takes place at the time.

A performance management system includes all the processes described above. It incorporates many of the features of objectives-orientated performance appraisal model which review performance against goals. In many cases the approach to performance management is based on the philosophy of management by objectives (MBO).

Performance management philosophy must be positive and forward-looking and it regards development as a joint responsibility of the employee and the manager. During performance appraisal it is necessary not only to measure results but also to analyze the behavior that contributed to those results. And this analysis refers to the behavior of the employee and that of the manager in the lather's role of providing direction, guidance and support. Performance management provides more opportunities for individuals to discuss their work problems and aspirations with their managers. An important feature of performance management is the importance attached to its being a continuous process - a natural aspect of management - rather than the potentially stressful annual event.

The main factors that can be assessed in a performance management system are the achievement of objectives, behaving in a way which makes the achievement of objectives possible, employees qualities and potential. On this place we must stress that unless managers have not a very clear understanding of the appraisal criteria employees ratings are likely to be guesswork. In any case, although it can be said that people generally have to perform well in the present to succeed in the future, good performance at one level does not guarantee success at the next or succeeding levels.

The measurement of potential is increasingly taking place at assessment centers where the assessment criteria are related to well-researched and clearly defined core competencies which are indicators of successful performance at higher levels in the organization. Such centers can and are used also to identify development and training needs.

The review process in a performance management system in is shared between the reviewer and the person being reviewed. The review's most important purpose is to assist in the improvement of performance. Unless employees are fully involved through self-assessment in the preview stage and in the joint analysis of achievements and development needs during the actual review, they will not "own" any of the performance improvement steps which should form part of the performance agreement or contract. The other major policy issue concerns the link between the performance review and performance-related pay (M. Armstrong, 1993).

The performance management system operates as a continuous cycle and this should be reflected in the operation of each of its main components: performance agreement, continuous performance management, preparation for review and performance review. The performance agreement sets out the key objectives for next year and the main development needs (areas where existing skills can be enhanced or performance improved). Both the manager and the individual continually monitor performance in relation to the performance agreement and plan. As necessary, objectives are added or revised. New development needs may emerge and are also added to the plan. This are all activities of continuous performance management. Managers and employees prepare themselves for the review by referring to the agreement and the outcome of the continuous performance management process throughout the year. At the end of the assessment period individuals assess their own performance and consider any points they wish to raise about their work, development or prospects. The performance review meeting is the meeting, usually annual, in which managers and employees refer to their preparatory notes, the performance agreement and the outcome of the continuous performance management process. They jointly review achievements and progress, comments and ratings are made as required and a new performance agreement is concluded. The meeting should discuss not only the results achieved but also the factors that have affected those results.

3. The Selection Process

The selection process identifies and matches job applicant qualifications to position requirements in order to choose the most competent candidate (M. G. Singer, 1990). The adequate selection of human resources within an organization is one of performance management most important tasks. Choosing the right person for a job is beneficial to an organization, whereas inadequate selection generates lost time and costs. For effectiveness of selection process initial considerations are very important. These considerations are centered around the job analysis, the available pool of candidates, the validity of the selection techniques, and some law regulations.

Job analysis is a process undertaken to determine which characteristics are necessary for satisfactory job performance, and to analyze the environmental conditions in which the job is performed. A well done job analysis leads to a job description and a job specification. The job specification, which lists the human elements needed for job performance, is primarily used for selection.

One issue confronting human resource managers is where to look for candidates, and how to position the firm to complete for good personal. In the organizations that we studied, we found a different definitions of the labor market. Even firms within the same industry do not always see them-

selves as competing for the same candidates. In generally are our firms regionally focused and saw themselves as competing for labor within a specific region. Only firms located in greater urban centers (specially in capitol town Ljubljana) can count on a national labor market and can recruit on a national basis. For instance, two banks of which is one located in a region and another one in a capitol center are in their recruitment position distinctly different. The bank in center is in special advantage by selecting of middle and top managers, but we would not anticipate that the same distinctions would apply to other types of employees.

Performance management must also determine the skills and credentials on which to focus their recruiting. Firms with specific skill requirements are sometimes restricted to a particular labor pool, based on educational level or special training needs. For some organizations we found out that the educational or training requirements define the labor pool. Those organization developed their own education and training centers to keep the company on the leading edge of the competition. In the same position are companies which requires highly and specifically trained employees, of which there is a limited pool in the labor market.

The goal of a selection technique is to discriminate between job candidates who can successfully complete the job requirements and those who cannot. Within the group of firms we studied, we found very different selection techniques and methods. Some organizations use formal selection instruments and procedures; in those firms a selection decisions are made after applicants satisfactorily progress through a series of selection stages. For other group of firms, recruitment is an informal process which may involve only a single interview. The smaller the organization is, the more likely it is that the selection decision is made quickly and informally.

Regardless of the formality involved, the selection processes share certain similarities in all firms. They all involve a series of steps through which applicants must pass. All processes use some combination of methods designed to gather information from candidates. These include: application forms, application interviews, employment tests, ability and personality tests, reference checks, work sample tests, psycho-physical and health examinations.

The work relations law and some other rules and regulations has a great impact on selection procedures. To avoid violation of the laws and rules affecting selection, and more importantly to choose the appropriate candidate, care must be taken to make selection based only on job-related criteria. If an organization is confronted with a charge of illegal discrimination, it will have to demonstrate that the hiring decision was based either on justifiable job-related reasons or on a legally acceptable exception to the law. In all companies we study they take the work law by selection in account.

4. The Appraisal Process

Performance appraisal is a formal process of providing employees with diagnostic feedback (positive and negative knowledge of results) about their job performance (M. G. Singer, 1990).
Aside from providing feedback performance appraisals serve other functions within organizations. Some of the more common uses of appraisals are determining of:

- appropriate salary increases and bonuses for workers based on performance measures
- promotions or transfers depending on the demonstration of employee strengths and weaknesses
- which employees to lay off or dismiss based on demonstrated work performance
- training needs and evaluation techniques by identifying areas of weakness

- effective communication within organizations through the interchange of dialogue between superiors and subordinates.

There should be no surprises at the performance appraisal meeting if performance issues have been defined during the continuous performance management process. The true role of performance appraisal is to look forward to what needs to be done to achieve the overall purpose of the job; to meet new challenges; to make even better use of the knowledge, skills and abilities of employees; and to help them to develop their competencies and improve their performance. This process also helps managers to improve their ability to lead, guide and develop their staff, as individuals or as a team. Performance assessment can be hard occasion for both parties and, rather than conduct appraisals badly, it is better not to hold them at all.

The solution to the problem of performance assessment is not to give up but to ensure that all concerned are very good trained on the purpose of the system and the part they should play in it. It should be impressed on managers, for example, that their own performance will be assessed against agreed standards for operating the performance management system and developing their staff.

A performance appraisal system should not be allowed to lost itself in paperwork or forms. However, in practice, it is helpful for all concerned to have a framework for recording agreements, notes, comments and action points. This framework can be provided by a set of appraisal forms consists of: a manager's preparation form, an individual employee's preparation form, a performance review form which incorporates a performance agreement. In using forms to all concerned should be given guidance on how to complete them.

There are different methods of performance appraisal. The simplest approach is overall assessment. We simply ask managers to write down in narrative form their comments about the employee. They may be given a checklist of personality characteristics to consider, such as reliability, enthusiasm, appearance, and acceptability and to comment on results achieved against objectives. At least assure this method that managers have to collect their thoughts and put them down on paper.

Within the group of firms we studied, very different appraisal systems were in use. Some of the companies had some sort of overall assessment and other very sophisticated systems with different instruments. The most common model of performance appraisal is appraisal interview between supervisor and his subordinates once in the year. This variation will tie to features of each firm's environment. In companies where the environment is stable appraisal is more linked to those outcome measures, in companies with turbulent environments appraisal system is more likely to be "process 'goals" oriented.

Most organizations want managers to have and use appraisal skills. The conduction of performance appraisals is one of the most important tasks of a supervisor in all companies we study. However, nearly in all companies they have a great problem how to motivate managers to take seriously this task. They denied to discriminate subordinates by their job performance. In some cases the appraisal criteria's are not clear enough. Managers, who appraise their subordinates work, need to have guidelines about which skills and behaviors they will evaluate. In the companies we studied, the skills most often considered in appraisal were quantity and quality of work.

5. The Reward Management

Reward management is the process of developing and implementing strategies, policies and systems that help the organization to achieve its objectives by increasing work motivation and commitment of employees. Job evaluation and performance appraisal could help us to reward employees in accordance with their value to the organization, measured by their actual and potential contribution. Rewarding employees means also recognition that employees have their own needs and goals therefore the organization must constantly improve its reward system. With other words, reward management concerned both financial and non-financial rewards.

M. Beer (1984) said that organizations must reward employees because in return they are looking for certain kinds of behavior: they need competent individuals who agree to work with a high level of performance and loyalty. Individual employees, in exchange for their commitment, expect certain intrinsic rewards in the forms of promotions, salary fringe benefits, prerequisites' bonuses or, stock options. Individuals also seek intrinsic rewards such as feelings of competence, achievement, responsibility, significance, influence, personnel growth, and meaningful contribution.

We can conclude those reward management strategies and policies based on human resource management strategy. These provide guidance on the processes required in four main areas: non-financial rewards, employee benefits, pay structure and performance appraisal. All of these contribute to the major aim of improved performance (M. Armstrong, 1991):

- non-financial rewards satisfy individual needs for responsibility, influence in decision making, recognition and opportunity
- employee benefits satisfy employees' needs for personal security and provide remuneration in forms other than pay
- pay structures define levels of pay, by combining the results of market surveys and job evaluation,
- performance appraisal makes possible to design the performance-related pay systems and development and training programs.

Reward management strategies provide the basis for deciding how the reward system can help to achieve the objectives of the organization and how the system should be designed and managed. In profit organizations the aim of reward management strategies should be to help it to achieve competitive advantage. In a non profit organization the aim should be to reach optimal level of service and performance.

There are different factors that must be obtained in establishing of a reward system. We must find out how they influence both - appropriate and inappropriate behavior. The first and most obvious reward for all employees are salary. Usually see the human resource management their labor pool as similar to their customer pool. Consistent with that, the salary levels are set to correspond to the labor pool from which the company become its personal. At time the least and the greatest salary is regulating by government.

In many organizations, there is a debate about the appropriateness of bonuses at the middle and top management level. Different bonuses are less common in the middle manager ranks as on the top level. In many cases a non-financial reward is some kind of business secret with mystery nature. More transparency we can find in companies where the company goals were clearly defined, and appraisals were tied to goal output. Some experts' opinion is that a transparent non-financial re-

warding system could be created only by clear definitions of output and a sense that output is tied in some clear way to a contribution to company profitability. Only for jobs with those conditions a bonus system is functional. Most middle manager jobs do not have these characteristics.

The promotion is most common form of rewarding connected with greater salary and perhaps new bonuses in all companies we studied. A related issue is whether it is best to promote from within the firm or hire talent from outside. Nearly all organizations must do some recruiting externally, but there are notable differences between companies in which cases they prefer to recruit inside and in which cases outside the firm. We think that the labor market is more internal in innovative organizations and more externally in traditional, risk-avoiding organizations. It is also logical that companies with more innovative behavior and with higher job security have a greater natural internal pool of employees from which to promote.

6. The Development Process

The development process entails the use of prepared training programs that reinforce employees' existing competencies or facilitate the acquisition of new knowledge, skills, and abilities in the interest of improving job performance. Employees development, connected with formal vertical or horizontal promotion, can be defined according to his individual development plan. The whole process elaboration of individual development plans can be divided into three basic stages: stage of collecting the fundamental information's, stage of preparation and elaboration and stage of monitoring and controlling.

The information collecting for the needs of personnel development plans is usually performed cyclically (for example once a year, every second year, every third year). On the basis of development, investment and other strategic plans the analysis of a company and/or individual organizational units, adequate personnel strategic analyses can be made and on the ground of this analyze personnel promotion plans (regarding the area, functions or working places) can be made. In this stage appropriate personnel-organizational documentation, which is necessary at individual development plans elaboration must be provided.

Personnel development department as informative-advisory discussions introduce to the employees personnel-development needs of the company or certain organization unit and the possibilities of their promotion and development according to these needs. The main purpose of these discussions is encouraging and motivating the employees for their further professional development and progression.

Job efficiency and development potential are important factors for promotion planning. Job efficiency up to the present is evaluated on the basis of the expected successfulness on the job. Development potential is established for each employee on the basis of corresponding criteria. The main purpose of the development potential estimation is to judge the future job efficiency. This is specially important if a function and/or tasks, which demand from the candidate special abilities (managing, organizational, communicative, etc.), are in question.

If both estimations, present job efficiency and development potential of a candidate, are positive a plan for candidate's development and, if needed, advisory conversation with him has to be done.

In next stage of development process the individual development plan for each employee is made. In the development plan appropriate development precautions, props of individual precautions' accomplishments and accomplishment terms are defined or concretized. The individual precautions proceed from disagreement of the requested with the actual employee's qualification, additional education or qualification needs, from legal and other requirements (for example professional examinations) or specific development interests of an individual. Information grounds for elaborating the development plans are: a catalogue with the education programs (internal and external programs), the standardized promotion ways and the personnel-development documentation.

With supervising and monitoring, the successfulness of personnel system development is evaluated, on the basis of the personnel development plan realization and on the basis of the individual employees job results. Fluent monitoring can be obtained by so-called development contacts. With the candidates comprised in a certain development program the effect or success of the precautions so far can be studied with the help of the development contacts, the possible changes in development performances of individual workers are established, the promotion terms are agreed and the possible development precautions are settled.

The questions that human resource managers face with respect to formal training are how much and in what areas. For both of these questions, the practices of our companies were instructive. We anticipated that companies with a long term perspective and a low reliance on external labor markets would invest more in formal training-but this was not the case. In companies we studied, most training occurred on the job, and skills necessary for success were considered more general than specific. Training seemed to be tied to the availability in the marketplace of specific skills needed by the firms to compete.

In the area of promotion, human resource managers are often advised to carry out succession planning. Only those firms in a stable situation can be sure about what future needs will be, and therefore can plan for succession long in advance. Firms facing turbulent environments cannot do such planning, since they cannot be sure of what their needs will be (C.T. Kydd, L. Oppenheim, 1991). For the firms we studied only a little emphasis on succession planning was placed. Some of firms planned annually for middle and top manager's career paths. In those companies high potential individuals are looking fore to be exposed to a wide range of experiences across the company early enough.

Promotion serves both as a development tool and as a reward. Within the companies we studied, two distinct patterns emerged. In one pattern, job definitions were defined in relatively clear and way and managers moved relative quickly from one job to the next. In the other pattern, jobs were more loosely defined, successful managers stayed in a job for a longer period, and increased responsibilities accrued to the particular employee in the position over time.

Last but not least, human resource development must cope with the special personnel needs of their firms, often determined by the environment within which the firm operates. Special needs evoke special solutions. We found that effective organizations think beyond the conventional when their problems are unusual.

7. Conclusions

Our findings in this study verify some of the earlier assumptions made in this area as well as extend the thinking beyond those assumptions. In each of the organizations studied, human resource policies were implemented in a way to support the strategic plans of the firm within the constraints set up by the firm's environment. This has been prescribed in the literature (Devanna, Fombrun, & Tichy, 1981, 1984; Baird, Meshoulam, & DeGive, 1983; Kydd, Oppenheim, 1991), but rarely documented by empirical evidence. It has also been suggested that staffing practices should be linked to long-term goals and objectives rather than short-term needs, as well as to the strategies of the organization (Olian & Rynes, 1984). A mismatch between career development practices and strategy can lead to unproductive workers (Stumpf & Hanrahan, 1984). The excellent companies studied here carried out their staffing, training, and development functions in a way that supported and contributed to each organization's major business strategy. This supports and extends the theory of increased competitiveness through the use of human resource management (Schuler & MacMillan, 1984).

Our study addressed the question how firms should go about linking strategy and human resource management. We have shown how different companies have accomplished this link in order to effect a more competitive position. Whether or not innovation is a key driving force of the firm should dictate whether the firm focuses on the specific task that an individual carries out or on the broader context within which the tasks are done.

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